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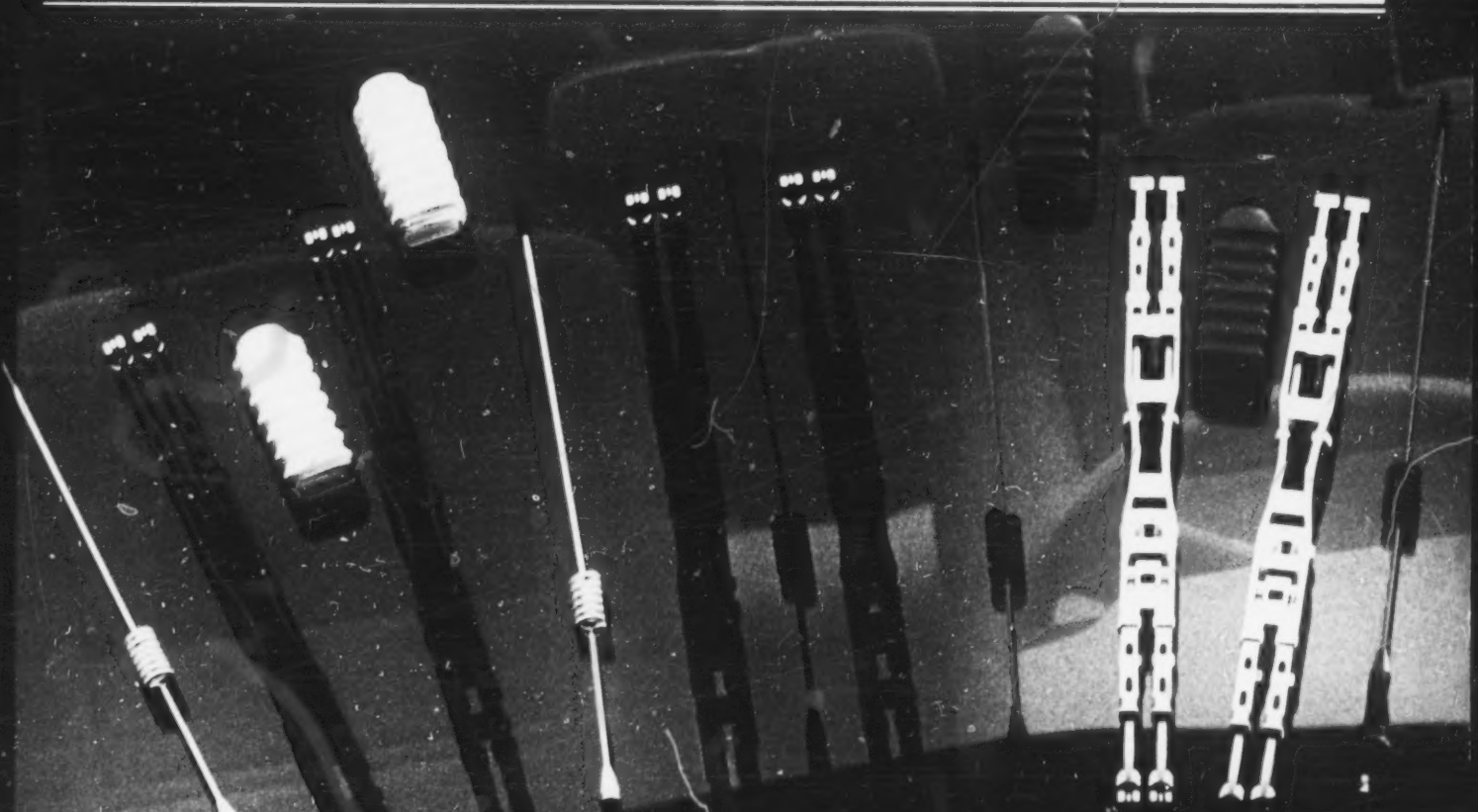
The Marketing/Business Magazine For The Retail Aftermarket

JUNE 1989



ACCESSORIES:

The Pace Look Goes Color

Trucks Shift Gear In Down South

AM's Exclusive Study Of Light Truck DIYers

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Chilton's
AUTOMOTIVE MARKETING

a Chilton publication

June Issue Volume 18, Number 7

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CHILTON COMPANY,
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A PART OF CAPITAL CITIES/ABC, INC.
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AUTOMOTIVE MARKETING - ISSN 0193-3264. Published 13 times a year by Chilton Co., Chilton Way, Radnor, PA 19089. Chilton Co. is a division of American Broadcasting Companies Inc., New York, NY. Subscription prices (payable in advance) in the United States and U.S. possessions, $36 a year; Canada, $70 a year; Foreign, $70 a year. Single copies $3.50 each ($50 for the 13th issue) when available, U.S. only. SECOND CLASS postage paid at Wayne, PA 19087 and additional mailing offices. Postmaster, send Form 3579 to AUTOMOTIVE MARKETING, POB 2075, Radnor, PA 19089.

For a look at light truck DIYers, see page 30

FEATURES

***Automotive Marketing's* Exclusive Light Truck DIYer Study: A Look At Light Truck DIYers** 30
The light truck market is booming, but who's doing all that buying, anyway? And, what is it they're buying?

Accessories: The Euro Look Goes Color 38
Accessories are hot sellers.
Accessories for trucks are even hotter.

Accessories Sales Heat Up Down South 44
This year, it's light truck accessories.
Anything for a light truck is selling in Dixie.

Can The DIYers Who Shop In Your Store Fix This Car? 48
DIYers can still fix their own vehicles. But retailers will have to help them in new ways if they want to keep DIYers – and themselves – in the parts business. In this second part of a three part series, we look at the DIYability of two automotive systems: the drive train and fuel systems.

Getting To Know Your Customers 52
In this fourth part of a series on the different types of people who shop in your store, we take a close look at the needs of your older-than-50 customers.

DEPARTMENTS

Detailing The Market 5
Editorial 14
Market Line 16
Retail Operations 50
Products 53
Rep Guide 57
Ad Index 60
Reader Service Card 61

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PUBLISHER'S NOTES

FALLING IN LOVE

We're falling in love with trucks at *AM!*

This month's issue contains the results of our first consumer research project geared specifically to the truck DIY market segment. We talked with the DIYers who take care of their own trucks, vans, and utility vehicles. One fascinating conclusion is that people love to work on these vehicles as much as they enjoy working on their cars.

But a caution! After romance's first blush, it takes work to enhance, and maintain, the relationship when it's no longer spanking new! Keep on top of your truck business, just as you do your basic products.

When we sent Senior News & Feature Editor John Wirebach on the road in Dixie to report on accessories sales, we knew he'd come back with some interesting tales. Check out his story on fast-moving accessories. To complement John's on-the-road piece, Contributing Editor Edward L. Kaufman analyzes the entire accessories market – inside, outside, and under.

When you're ready to read about something more than the "easy" accessories stuff, we continue our series on the DIYability of new cars. We also take a look at another special group of consumers – those 50-years-old and older.

Then there's Detailing The Market, Market Line, and our product section. Have a good time reading this issue, and let us hear from you.

Sarah J. Frankson
Group Publisher

DETAILING THE MARKET

IN-STORE FOCUS

DAVIS & CO. INC.
Headquarters: 1021 S. Church St., Rocky Mount, NC 27801
(919) 442-7114
Stores: 8
Total Corp. Sales: $3 million
Average SKUs: 35,000+
Founded: 1940

On the face of it, Davis & Co. could be seen as a sleepy little business serving sleepy Southern towns. But in fact, it's a hub of technology, serving as a test market for some of the most sophisticated POS and other computerized equipment.

The business was founded in 1940 by Grady Davis, Sr., who entered the auto supply business as a jobber, and then a WD. He opened his first store in Conway, NC. The second store, in Rocky Mount, NC, was opened 13 years later. The company penetrated southeastern Virginia in the early 1980s, and now serves northeastern North Carolina with seven stores and southeastern Virginia with one store. It also has a warehouse operation in Rocky Mount.

According to company president Grady Davis, Jr., "We have a traditional approach to the marketplace, but we've always tried to stay on the leading edge of the market, offering wholesale and retail services as needed. We have an outbound sales force, and have recently opened a small engine division to service customers. We've been open to new ideas, such as the engine division, since the company began."

But that's not what makes this small family business so unique.

Davis & Co. has access to every technological advance in POS systems, enabling it to control its inventory and ROI as well as the largest chains are able to do. This unusual situation is due to Grady Davis, Jr., who joined his father in the business in 1967.

Grady started his tenure in the company by opening the company's first warehouse distribution facility, the progenitor of today's warehouse. To control the inventory more efficiently, Grady developed a computer system for the warehouse and jobbing stores. The process took a number of years, as Grady gradually evolved a POS/order entry system for his own warehouse, and then for others in the industry. Grady had so many requests for his software, that in 1980 he opened a new company to provide POS and inventory management information and systems to jobbers and warehouse distributors. That was the beginning of DMS Corp., which has grown to a multi-national concern.

That leaves Davis & Co., the family-owned "brother" to DMS, as the natural proving ground for anything DMS develops. It has worked to the company's advantage, according to vice president/marketing Frank Davis, Grady's brother.

"The computer systems that we have today are a result of actual hands-on management experience in the automotive parts business rather than coming from an accounting or a computer technical background," he said. "What makes the system work as well as it does is our understanding of the auto aftermarket business."

It's a DMS system, naturally, that Davis & Co. operates. It ties in the stores and the warehouse, just like other POS systems do. But, said Grady, "I think the most unique thing is the inventory control aspects of our system."

"Our three major areas of concentration are increasing sales; streamlining the ROI; and providing the best possible service. Our percentage of items returned because they were incorrectly filled has decreased significantly. We're operating an over-90% fill rate from the stores. We have a sophisticated purchasing and inventory management system, and we're able to forecast purchasing in each location according to its individual demand.

"Everything is interfaced from POS to other areas of the system," he continued, "such as accounts receivable, purchasing, inventory management, accounts payable and general ledger."

Davis & Co.'s operations run in size from 3,500 sq. ft. to 25,000 sq. ft. But that "super store" is only 10% retail; the rest is warehousing.

Each store is configured depending on existing store shape. All have parts counters, all feature the Davis green, white and gold logo. At the present time, the company is 60% wholesale, 40% retail.

"We're not in the nature of a Checker or a Trak, but we're remodeling our stores to emphasize display and merchandising, and doing more retail advertising," Frank said.

"We're re-doing our stores to make them more attractive to the DIYer," he continued. "In the Rocky Mount location, we have taken approximately 4,000 sq. ft. and converted it into a small engine center (Davis is a Briggs & Stratton distributor). That has helped us compete very favorably with Advance Auto and Western Auto, because we feel we are meeting our customers' needs in every possible area."

In the smaller towns, Davis competes with NAPA stores, Car Quest, and other independent jobbers. It counters the competition in the same way it meets all challenges, said management: "By providing a better selection of inventory, which we can do thanks to our POS systems."

What's in store for Davis & Co.? "We have a unique advantage in that we can utilize all the new software and technology that DMS provides," Frank explained.

DMS uses Davis & Co. as its research and development lab for new products that DMS produces. For instance, POS is part of it, but DMS has total business systems. And there is electronic cataloging, for example. DMS has instituted a Quick/Order System™, which is electronic ordering by customers via modem. Our jobber customers can walk into one of their customers' garages, find out they need a part, and dial Davis and Co.'s computer right from the garage, and they can then order the part electronically then and there."

DETAILS

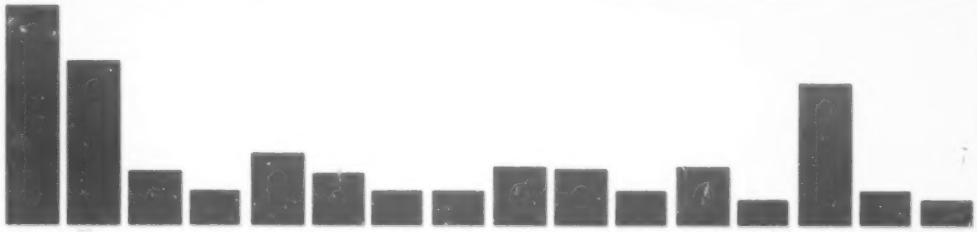
89%

of all grocery stores in America sell motor oil, according to Daniel Weiss's new book 100% America.

PROFILE: ANTIFREEZE/COOLANT DIYers

Drawing from the 1989 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed antifreeze/coolant during the year prior to the study.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	75.3%	24.7%	14.5%	33.1%	22.8%	13.7%	15.7%	26.6%	26.1%	16.4%	26.5%	9.8%	64.8%	16.1%	9.2%



MARKET LINE

Are Cars Built Better? What Does It Mean? The Retailers Reply.

Are today's cars built better? Will they last longer? In our March "Market Line," we examined trends in customer satisfaction and repair costs that seemed to say "yes" to both these questions.

Below are two stories on the issue of higher quality cars. One story examines surveys and studies that further indicate that today's cars are better made.

In the other story, we've asked a dozen or so aftermarket retailers, manufacturers, and observers what the impact of better-built vehicles might be on tomorrow's aftermarket. ■

New Quality Data Says Cars Built Better

In our March "Market Line," we examined whether cars are better made by looking at trends in customer satisfaction and repair costs. Since then, we've come across some more data.

For example, the latest J.D. Powers Initial Quality Surveys, done by J.D. Powers & Associates, Agoura Hills, CA, show that the number of problems per car increased slightly, from 166 in 1987 to 173 in 1988.

Director of publications David Whiteside attributed the slight drop in quality to many new model introductions, the growth of transplants among import cars, and the increasing use of new electronic technology in new cars.

Domestic cars actually increased their quality, with fewer problems per hundred (from 177 to 176), while import quality problems increased sharply (Japanese cars moved from 129 problems per hundred to 144 per hundred). The highest quality cars, according to the Powers survey, included Porsche and Mercedes at the very top, four Japanese makes (Toyota, Nissan, Acura, and Honda), three American makes (Cadillac, Oldsmobile, and Buick), and the Korean-built Daihatsu.

Whiteside noted that domestic cars continue to "vigorously tackle the problem of trouble-free delivery. However, it is difficult to master." Among those surveyed, 43% of domestic car buyers reported having to return to the dealer for repairs of unexpected problems. For Japanese car buyers, only 31% had to return for repairs.

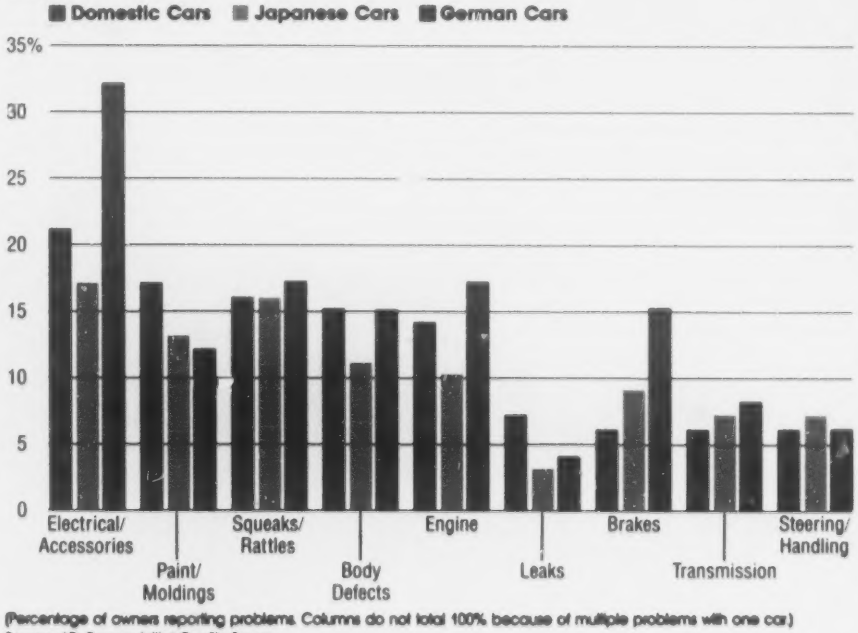
Domestic Makers Improve

Still, domestic carmakers have made improvements, improvements which have driven the overall quality standards of cars higher. Our sister publication, Chilton's *Automotive Industries*, which covers the OE market, recently printed a report produced for the OE carmakers by Rogers (now Maritz) Research, Toledo, OH. The report shows the domestic makers, led by Ford, had decreased the number of defects from an average of six or eight per car in the early 1980s to about three or four per car by the mid-1980s. On the other hand, the Japanese carmakers held a steady two per car average throughout the same period.

Ford showed the most improvement among the Detroit OEs, and is usually cited as the Detroit carmaker that has made the greatest commitment to quality. In the early 1980s, Ford was described as the company that best exemplified the decline of the American auto industry by

TYPES OF PROBLEMS ON NEW CARS IN 1988

The J.D. Powers *Initial Quality Survey* examines problems encountered by new car owners during the first 90 days of ownership. These were the percentages of owners who had problems by category on their new cars in 1988.



(Percentage of owners reporting problems. Columns do not total 100% because of multiple problems with one car.)
Source: J.D. Powers *Initial Quality Survey*

David Halberstam in his book *The Reckoning*. By 1987, the company had turned itself around so that it was more profitable than General Motors ($5.3 billion to $4.9 billion in 1988) although only selling about half as many cars.

Quality Guru W. Edwards Deming

One of the major reasons for Ford's success was its adoption of the teachings of quality guru W. Edwards Deming. Examining Deming's entire work would take a book rather than an article. Although Deming's lessons are aimed primarily at production work, many of his ideas can be applied by retail merchants as well.

After a stint at Western Electric, Deming went to work for the census department where he instituted statistical controls for sampling that made census taking more efficient. During World War II, he worked on war production.

However, as a post-war boom followed the war, Deming found that no one was interested in quality controls. In his opinion, with unlimited demand, American industry felt no need to be efficient or quality conscious. For the next 20 years or so, the U.S. enjoyed unparalleled demand and little competition for its industrial products.

So Deming went off to help Japan rebuild its ruined industrial base. The Japanese accepted Deming's Statistical Process Controls as a way of life. Through a commitment to quality controls, Japanese products, which were viewed as junk in the 1950s, became known as the highest quality goods by the 1970s. Deming became a national hero in Japan.

The success of Japanese industries in competing against U.S. automakers and other industries has led to a re-discovery of Deming in the U.S. In his eighties, Deming has been brought in to consult with a host of companies, including AT&T, Campbell Soup, GM, and Ford.

Deming's key parable is the Red Bead Game. In it, he selects members of his audience to portray workers. Their task is to lift 50 beads at a time on a paddle from a vat holding 800 white beads and 200 red beads. Only white beads are acceptable products. Obviously it's impossible to collect 50 white beads at once. And that's the point: a system cannot attain perfect production (white beads) when it contains built-in flaws (red beads). The system, not the workforce, is the problem. The solution is to eliminate the red beads, not simply harass the workers. Teach the worker to monitor himself, correct defects, and seek causes for defects, rather than simply access the blame, Demings suggests.

Deming says that the quality problem lies with American management systems rather than American workers. And, American management will have to change to succeed. He cites the "Deadly Diseases" of management:

- Lack of constancy of purpose, which can also be called a lack of long range planning. Quality is a process, not a program.
- Too much emphasis on short term profits at the expense of long range goals.
- Too much emphasis on employee evaluations, MBOs, ratings, etc. Management by fear.
- Too many job hopping managers who never really learn their job.
- Too much emphasis on counting the money, on visible numbers. For instance, no one knows the real cost of an unhappy customer.

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tacked by any management team committed to quality. However, Deming adds that excessive medical and warranty costs also severely hinder American industry.

Changes At Ford

Ford president Donald Peterson claims he is a "Deming disciple." In 1984, Ford adopted a mission statement saying quality comes first. Among the changes at Ford: a two-week Summer shut-down rather than use of fill-in, poorly trained replacement workers; adopting suppliers as partners and applying Deming's principles to supplier production lines; and three-year operating budgets rather than annual budgets.

Since retaining Deming, Ford claims a 59% reduction in customer complaints. In addition, the company has gained about 3-4% in market share and, as noted above, in 1987 it had higher profits than GM for the first time since 1924. It continued to do so in 1988.

Interestingly enough, GM recently hired the main Deming man, Bill Scherkenbach, away from Ford in 1988. GM's one experiment with Deming's principles at its Fiero plant was highly successful. The Fiero had the highest quality rating at GM, although the car was not a commercial success.

Whether Ford will hold its high quality position and GM continue to raise its quality must still be seen. For the present, it's enough to note that quality continues to rise among domestic carmakers while imported cars continue to maintain even higher quality.

Repair Costs Down

Some indication of this is seen in the April 1988 *Consumer Reports* auto issue. Executive director Rhoda Karpatkin writes, "One thing is clear: cars are improving. Last year and this, data from our annual frequency of repair questionnaires clearly show that average cars require fewer repairs, at least in their early years, then they once did."

CR's average repair costs bear this out. The table with this story shows a decline in average costs since 1986. The 1989 repair costs were even lower.

An April 17, 1988, Paine Webber Report on the aftermarket also cites *Consumer Reports*. Analyst Ann Knight writes, "According to the magazine's frequency-of-repair questionnaire, parts that frequently wear out (like brakes and clutches) are significantly more durable than they were five years ago. The questionaire also measured fewer repairs for engine cooling, exhaust and suspension system parts. Although surveys like these are not conclusive, they do suggest that longer-term caution for the aftermarket is appropriate..."

The PaineWebber report also notes, "Although more vehicles are driving America's roads and more of these vehicles are three-years-old and older, scrappage rates indicate that parts and components are more durable. As a result, vehicles are likely to require fewer repairs as they age, causing aftermarket demand to be slightly weaker than expectations." The report concludes that the auto aftermarket has "not-so-great expectations."

For us, however, the key sentence was further along in the PaineWebber report where Knight writes, "While most observers are at least intuitively aware that cars and trucks have become more durable, they seem unaware of the full implications for sluggish aftermarket demand, at least by past standards."

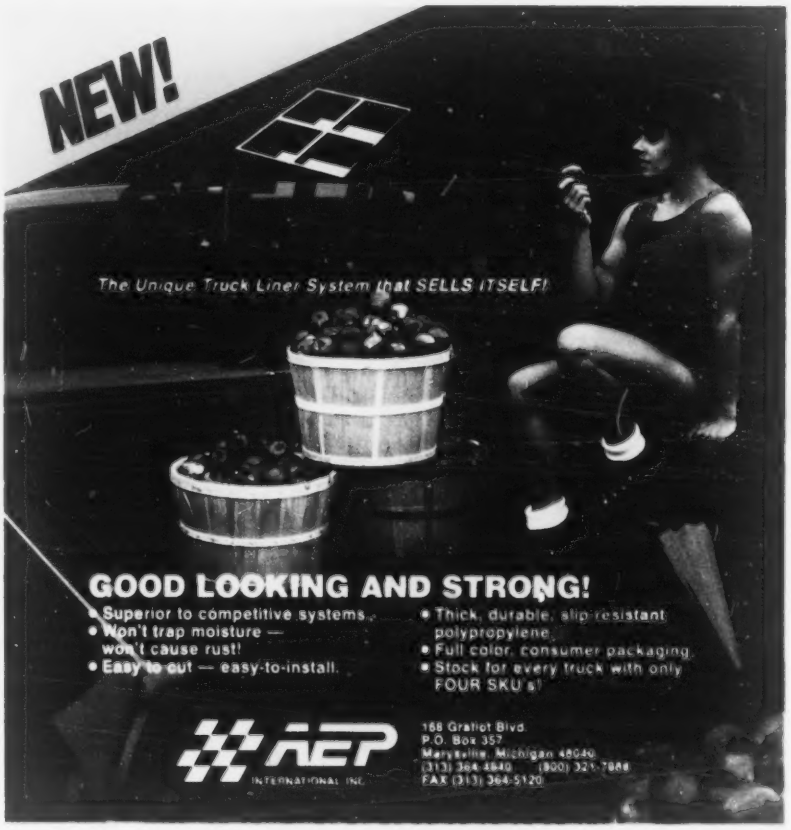
For our companion story, we spoke with a dozen or so members of the aftermarket about the implications for the aftermarket from higher quality cars and trucks. ■

CONSUMER REPORTS REPAIR COSTS

A continuing study of repair costs conducted among readers of *Consumer Reports* magazine suggests that repair costs are declining slightly in spite of inflation and rising repair shop prices. Between 1980 and 1986, the average cost of repairs rose gradually each year, but since 1986 costs have actually declined slightly. The sample size was 844,000 in 1988.

	Average Repair Costs By Age Of Car				
Year	2-Years	3-Years	4-Years	5-Years	6-Years
1985	$110	$210	$290	$360	$380
1986	$120	$220	$300	$380	$410
1987	$110	$210	$300	$380	$430
1988	$110	$200	$280	$350	$400
1989	$110	$190	$240	$280	$300

Source: *Consumer Reports* magazine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What Do Better Cars Mean To Aftermarket?

As we suggested in our March "Market Line" story, the aftermarket may be facing a completely new situation.

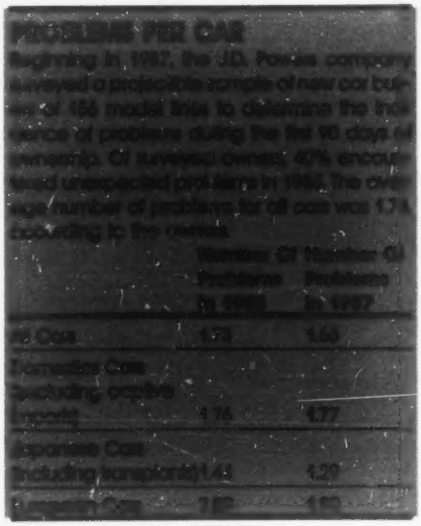
For the first time in many years, OE carmakers are advertising quality and durability rather than looks, performance, and status. There is also much evidence, based on trends in consumer satisfaction and repair costs surveys, to indicate that newer cars are better built and more reliable (See our March "Market Line" and the companion story in this "Market Line" for more on this subject).

So, if this is a trend, if new cars and components do require less maintenance and repairs, the question becomes: who will need parts, and what is the aftermarket going to sell?

The Question Of Reliability

On the question of reliability, all of about a dozen aftermarket retailers we spoke with agreed that new cars were better built and more durable. AutoZone, Memphis, TN, vice president Tim Vargo hesitated to agree, however, since his Taurus had blown a radiator hose on the way to work the morning we called.

But on the question of what it might mean, there were few conclusions. Most retailers took the line of Mike Manor, president of Chief Auto, Seagoville, TX, who said, "If consumers have more confidence in new cars, they'll keep them on the road longer. Overall, no matter how good they are, components will fail. Over the long haul, I'm positive: one way or another, it's a good thing for us."

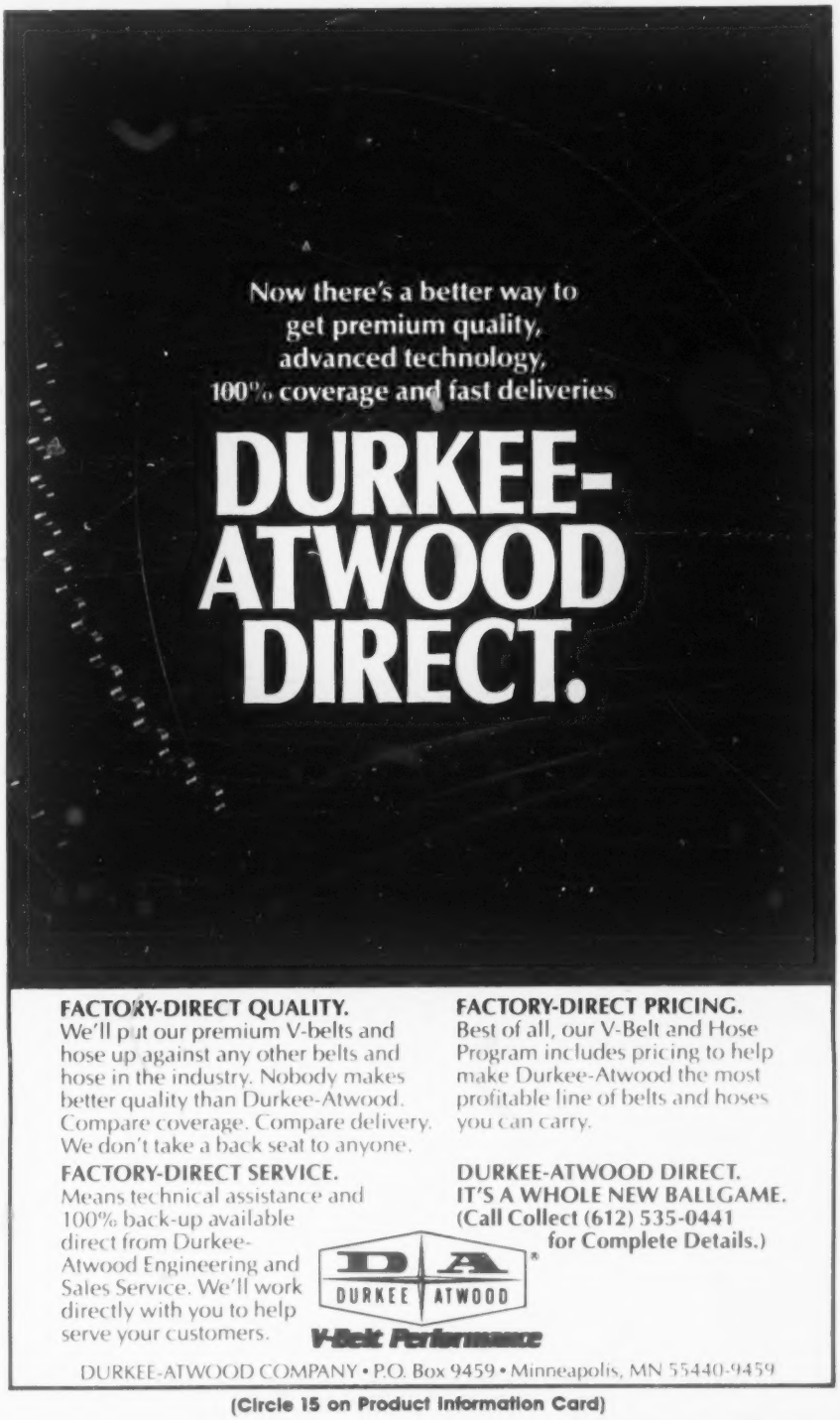


Source: J.D. Powers *Initial Quality Survey*

Vargo suggested, "Logically, if cars last longer, the DIY curve will go up. Cars still need routine maintenance; they still will break down. The long term implications? It's good for the parts and accessories business. I'm not a pessimist."

And Ken Brooks, vice president at Hi-Gear, Capitol Heights, MD, said, "Who knows what the long-term effects will be? Every time the OE makers make improvements, the aftermarket screams doom and gloom. If people keep cars longer, they'll have to invest more in maintenance. We'll sell more filters, brakes, tires, and batteries. A lot of stuff. We'll sell more accessories."

Those who were involved with parts where quality has already impacted the market, however, reacted more cautiously. One example comes from the market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in parts for import vehicles where the perception has always been that imported cars and trucks are higher quality vehicles.

Questions To Answer

Randy St. John, president of Beck Arnley/Worldparts, Nashville, TN, said, "That's a very interesting question. I believe cars are (more reliable and durable). I just said that to Mr. (Fred) Mancheski (CEO of parent company Echlin), and he challenged me to prove it. So I have a project under way. I think if it's true, we'll see the same thing happen to import parts that happened to spark plugs when Detroit stopped selling eight-cylinder cars. On American cars, we haven't seen an enormous improvement in quality. Yet. But on imports, from personal experience, I'd say yes. So I'm trying to prove it. Check with me in six months."

And Hank Allessio, of Easton Consultants, Hopkinton, MA, noted that while imports have increased units in operation in the four-to ten-years-old category, sales of parts for imports are not proportionately as strong as they should be considering the vehicle increase.

"I'm putting together some data that might give us a pretty good understanding of whether import cars fail at a different frequency than domestic cars. In my heart, I feel they do, but I only have antedotal proof. For instance, a WD pointed out all the Toyotas in a lot by his warehouse. Then he reached in his desk and pulled out a ball joint. It looks like any other, but instead of going on a 3,000 pound Chevy, it goes on an 1,800 pound Toyota. So it never wears out. But I can't cite any data. I can say I agree and that's part of the reason why the aftermarket has a lot of foreign car parts sitting around in inventory. You can't use units in operation as a barometer of sales for foreign cars," Allessio said.

At Hi/LO Auto in Houston, vice president Dirk Hoyt said, "I've felt for some time that higher Japanese registrations will mean fewer parts to sell. We sell fewer *true* hard parts for imports. We still sell a lot of belts, hoses, and filters for imports, but true hard parts don't do as well as they should. I think we hit those cars later in the life cycle. For domestics, we put new parts in right away and we have some sales the first year. But generally, with Japanese cars it's not a wise inventory move to put new model parts in."

So it seems that the higher quality of Japanese cars has affected sales of parts for imports to some degree, although the impact of higher dealer sales and import specialists also play a role.

A Look At Exhaust Parts

We might also examine the exhaust market where, as Hoyt noted, pollution controls, stainless steel systems, and less moisture in the system has led to a flat market. Hoyt also noted that between competition from muffler shops and declining demand, Hi/LO exhaust sales are half of what they were ten years ago.

Jack Gallagher, president of Monroe Muffler and Brake Shops (now with 129 shops), Rochester, NY, said, "Quite frankly, yes. Cars are getting better because of government intervention and having to guarantee some parts of the car for 50,000 miles. Carmakers are apt to pay a little more attention to quality if they have to pay for it. If it continues, we may see something very much like what's happening to the exhaust market. Exhaust sales are flat, discounters are getting out of the business, and it's not growing at the pace I'd like to see." As a result, muffler shops have gone into other undercar services.

However, Gallagher feels that while overall vehicle repairs may be less frequent in the future, they're apt to be more expensive. "I don't really care if I sell two at $50 or one at $100."

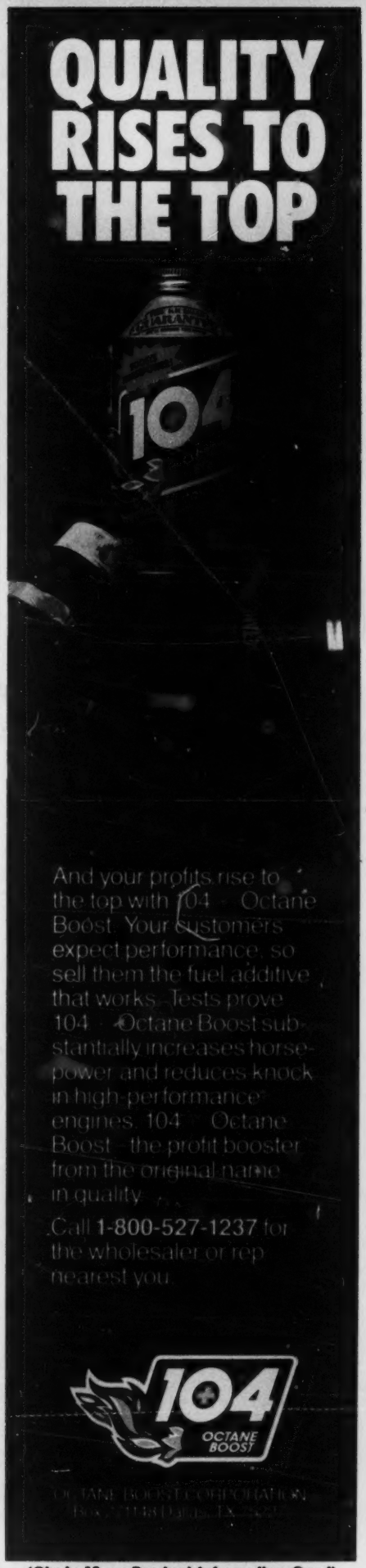
From New Car Dealers

Let's examine some data from the new car dealer's side of the business. Consultant Dennis Virag of the Automotive Consulting Group, Ann Arbor, MI, noted that there appear to be fewer incidences of repair on new cars, "but the cost of the repair has gone up drastically due mainly to the integration of electronics," he said.

"It's extremely difficult to diagnose the problems. There are very few instruments that do a sufficient diagnostic job. Technicians start replacing parts until they find the right part to replace. At one of the Big Three OEs, with anti-lock brake repairs, 95% of the returned brake control units test good, but technicians are going for the quick fix and replacing the unit. Technicians are trying to solve the problem by the simplest method, not necessarily the most cost effective," Virag went on.

Faced with higher warranty costs due to inefficient repairs, Virag feels the OE carmakers will soon roll out strictly proprietary diagnostic programs to make their dealerships more efficient. In fact, GM is on the verge of putting its CAMS (Computerized Automotive Maintenance System) in its dealerships, according to Virag, and the other OEs are not far behind GM. "Without these CE diagnostic systems, the aftermarket will have a difficult time servicing future vehicles."

Whether the dealerships can handle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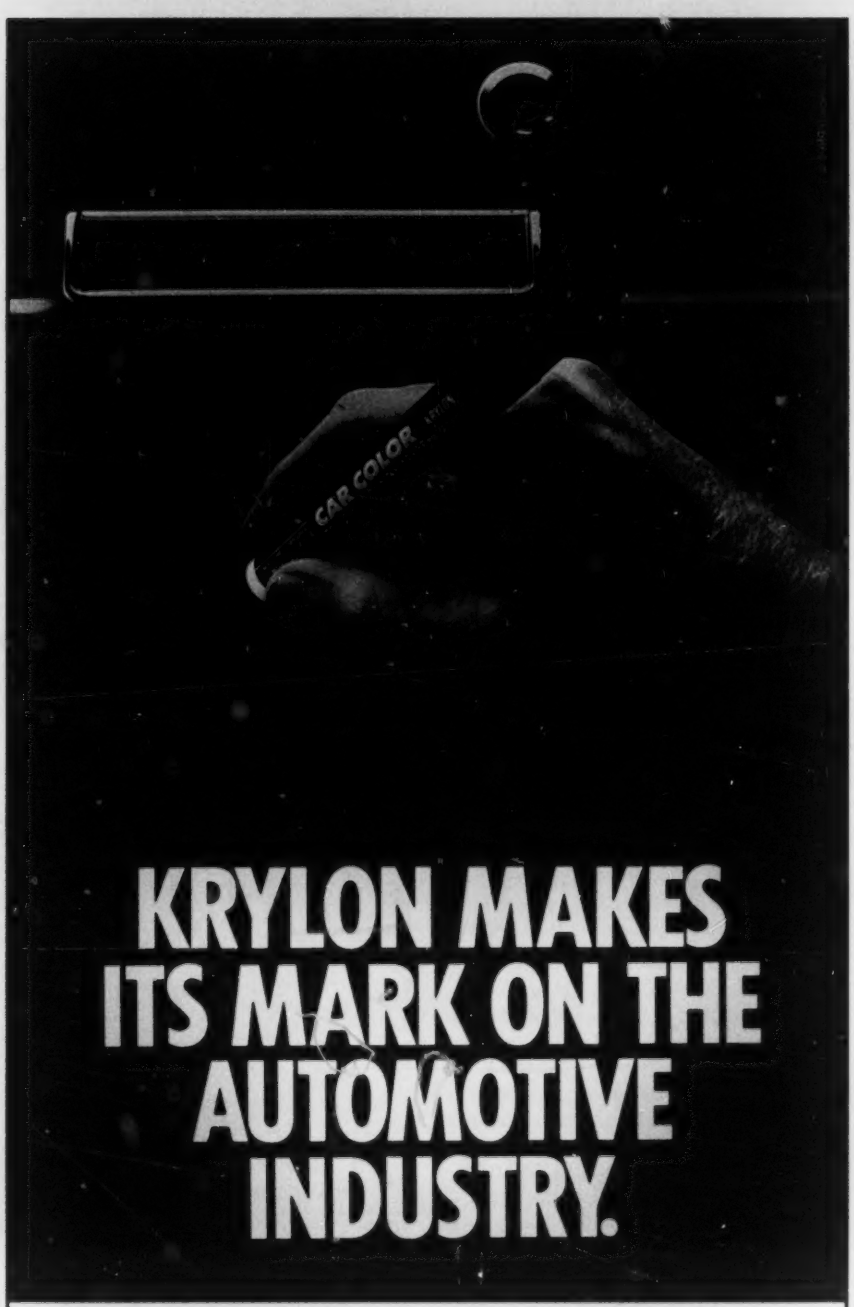

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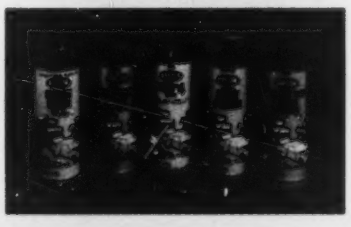

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MARKET LINE

the amount of work remains an open question. Virag thinks about 20% of total volume is the best they can do. It seems that domestic car dealers are beginning to recognize the the value of service sales, especially with the example of import dealers grabbing some 40-50% of the import replacement parts market. Last year might have shown the value of service sales. While new car sales declined about 7%, dealer dollar sales remained steady because revenues from parts and service sales continued to rise, according to the National Auto Dealers Association (NADA).

NADA chief economist Tom Webb said dealer service sales were $43.4 billion in 1988, up from $38.7 billion in 1987. This also suggests that individual repairs are more expensive since repair orders were flat in 1988. Total warranty sales were $6.8 billion in 1988 and $5.9 billion in 1987. Although there's no indication that dealer share of market has increased, Webb noted that about 40% of new cars are now on extended warranties (up to 70,000 miles), a far higher percentage than ever before, which only means more dealer repair sales in the future.

The Example Of The Tire Market

The aftermarket may have to take lessons from the tire market where higher quality has hurt the business and tire shops have been forced to get into other areas simply to remain profitable.

Joe DePaolis, president of Johnny Antonelli Tires, Buffalo, NY, said, "Yes, without a doubt. From what we can see in servicing these newer cars, breakdowns are minimal. We're just doing routine maintenance. That's the biggest factor affecting the tire business. Car owners are getting the full 40-50,000 miles of use built into radial tires. The tire life was always there but due to mechanical irregularities, the tires wore out sooner. Tires were knocked out of line or the shocks failed, or there were other irregularities. We're not finding that as much anymore."

DePaolis feels higher quality might accelerate shake-outs among weak dealers. "Long term, the market's going to go through a shake-out. But the better people who are better equipped to handle it will stay in business. Quite frankly, it's not going to be a disaster for the market. First, there're always going to be enough old cars around. And second, if people keep cars longer, no matter how good the car is built, parts will wear out."

MARKET LINE

An Answer For The Aftermarket?

That would seem to be the answer for the aftermarket. First, no matter how well the car is made, eventually some components will fail. And second, as Wayne Yodzio, senior vice president of merchandising and purchasing at ADAP, Avon, MA, noted, "I don't see it having any affect on accessory sales; and if cars last longer, it can only help maintenance item sales. Filter sales, body repair stuff, chemicals, headlights, they should all continue to grow in sales." ■

ASIA, AWAE Fight Mandated OE Parts

Officials of the Automotive Service Industry Association (ASIA) and Automotive Wholesalers Association Executives (AWAE) met recently in Chicago to plan a campaign against state and federal legislation that would require OE parts to be used in repairs.

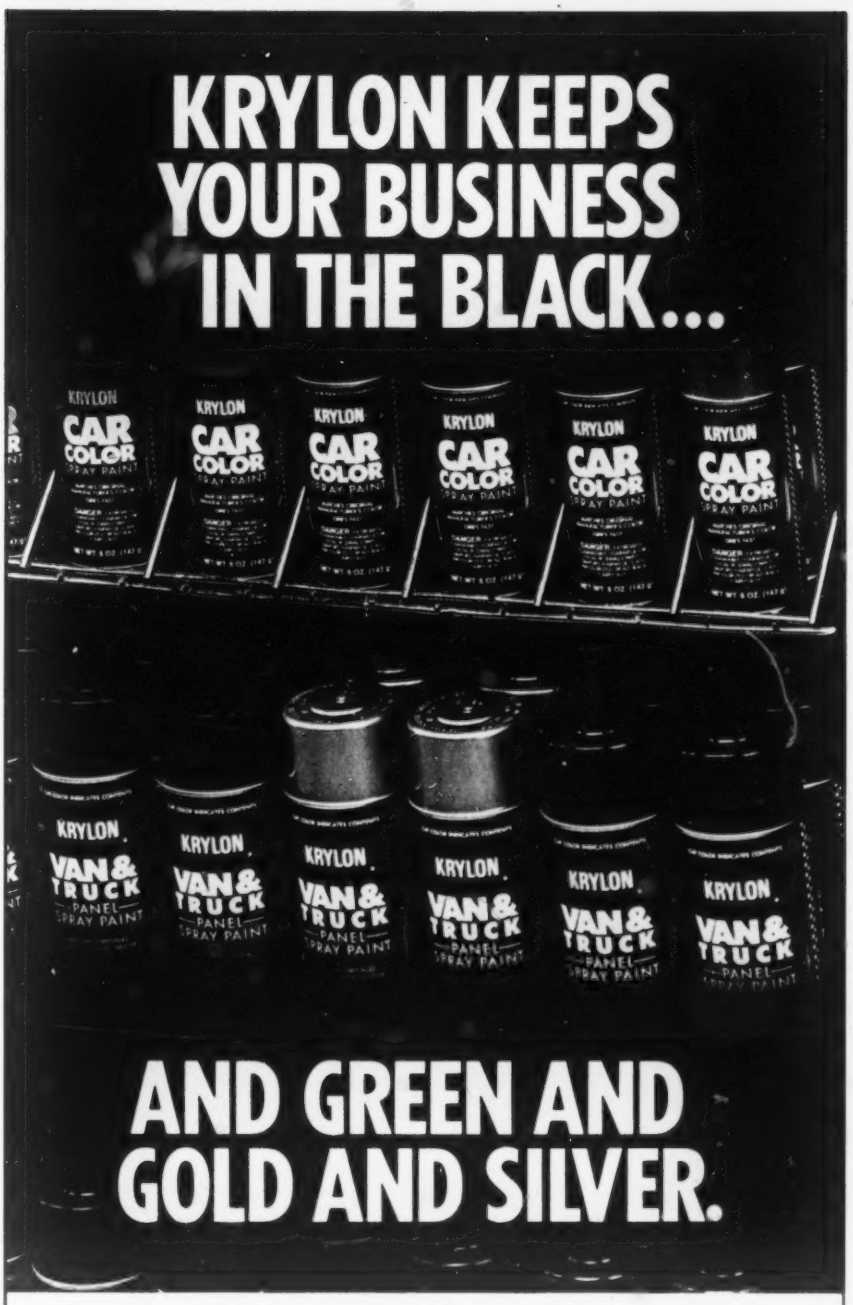
Some 18 states have passed, or are considering, legislation requiring special disclosures and consumer consent for installation of parts not made by the original manufacturer of the vehicle.

Although the laws are aimed at body repairs, ASIA and AWAE believe many of the laws are so vaguely worded they could be misinterpreted to extend to any parts on the vehicle.

ASIA president John Nerlinger said it's simply an issue of individual choice: consumers should not be forced to go to one market to repair their cars. "The issue is a simple one. It is original equipment parts versus non-original equipment parts provided by a free market. We believe the term OE part refers only to the source of the part, not to its quality."

AWAE president Steve Hamilton said, "Laws mandating, or giving preference to, original equipment limit the availability of parts, restrict the consumer's freedom of choice, and give the vehicle manufacturer a monopoly on the sale and installation of automotive parts at the expense of a free and independent aftermarket."

The two associations plan to coordinate all opposition to such laws at ASIA, based upon information and testimony from individual state wholesalers associations. ■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MARKET LINE

Take Risks Or Die, A WD Study Suggests

WDs will need new skills and will have to take a lot more risks if they are going to survive into the 1990s, according to Eileen Lucas, Arthur Anderson & Co., Washington, DC.

Lucas said Anderson's latest study of the WD market, which covers automotive WDs and WDs in other industries, sees a rapid consolidation of WD firms between now and 1995. Thus the larger WDs will gain market share at the expense of the smaller ones. The Delphi-type study was conducted by circulating questionnaires among WDs in various markets for their opinions on specific issues.

Lucas noted that the size of the average WD has grown 10% since 1982, when Anderson's last study was conducted, while the overall number of WDs has dropped since then.

Any industry has four phases, she said, the introduction, growth, mature, and declining phases. Right now, WDs are in a mature phase, facing problems of overcapacity, price pressures, and market fragmentation. Hence, between now and 1995, she said, "Non-WD distribution channels will grow faster than the wholesale channel." Nevertheless, the Anderson study predicts industry growth rates of 3.9% for WDs from now until 1990 and 4.3% from then until 1995.

Looking At Specific Changes

"WDs need to look at specific customer markets for their growth," she said. The Anderson study predicts that there will be a 13% decline in traditional WD market sales, while WDs will see growth of 60% in catalog sales, 25% in direct retail sales, and 35% in processing and manufacturing sales.

Automotive WDs will see, the report said, a drop in sales to retailers but a growth in sales to commercial customers as the service industry grows.

The study predicts shorter order fill cycles, with 40% of orders being filled the same day by 1995. Gross margins will remain stable through 1995. There will be fewer vendors by 1995, but more lines and products to be handled. The bulk of sales will switch to new products and away from products that are commodities today. Industry turns will rise to an average of eight by 1995 from today's seven. Logistics costs will drop. Outside sales forces and outside sales-generated orders will drop in number. Less time will be spent per customer. Use of outside shippers will grow as WD-owned fleet use decreases. CEOs will be younger, with more professional training. There will be a definite shortage of qualified personnel for most jobs.

WDs Enter The Electronic Age

"If you're still doing business like you did 100 years ago, writing orders by hand, you're really missing the boat," she said.

Smart WDs will increase their electronic technology investments, even though the equipment costs will continue to decline. The emphasis through 1990 will be on improved productivity. Thereafter, it will switch to decision-making, with such tools as artificial intelligence.

According to the Anderson study, less money will go toward the massive mainframes, and more to equipment like personal computers and bar code equipment and scanners.

Bar code scanning will jump from 48% use to 59% use by 1995. "The lack of standardization is holding back bar code acceptance and WD automation right now," Lucas said. She expects that associations will shortly adopt standards and end this problem.

The WD use of purchased off-the-shelf software packages will grow from 42% in 1987 to 52% in 1995, the Anderson study said. And internally designed software use will decline slightly. "Bigger WDs are switching to software packages faster than smaller ones," Lucas said. ■

VEHICLE SALES

1988 VEHICLE SALES SECOND HIGHEST EVER

In 1988, 15,789,000 vehicles were sold in the U.S. making it the second higest sales year ever. It was some 607,000 units ahead of 1987, and it was the fifth year in a row that vehicles sales exceed 14 million units. That's good news for the aftermarket through 1992 as these cars enter their repair years. Here's what type of vehicles were sold in 1988.

Vehicle Type	Units Sold (000)
Domestic Cars	7,526
Import Cars	3,066
Domestic Light Trucks	4,168
Imported Light Trucks	704
Other Vehicles	325
Total Vehicles Sold	**15,789**

Source: Allomatic Industries, Inc., Woodside, NY

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A Look At Truck DIYers

The light truck market is booming, but who's doing all that buying, anyway? And, what is it they're buying?

by P.R.N. Katcher, Research Editor

Ask just about anybody in the aftermarket and they'll tell you about the boom in light trucks, how the light truck market is *the* big, booming market that will go into the next century.

Jon Pelzer, executive director of *Four Wheeler* magazine, even compares the way today's light trucks affect the aftermarket to the way yesterday's rock and roll affected music. "Rock and roll took the nation by storm in the early 1960s; it was a boom too profound to ever go away," he recently wrote. "Rocking today's automotive industry is the unprecedented boost in light truck and sport utility sales. . . ."

But what do we really know about the light truck, van, or utility vehicle owner who also is a DIYer – a prime customer for light truck aftermarket products? Although much work has been done on studying the demographics of all light truck buyers, the answer, in terms of light truck DIYers, has been "not too much." That is, until now.

Study Methodology

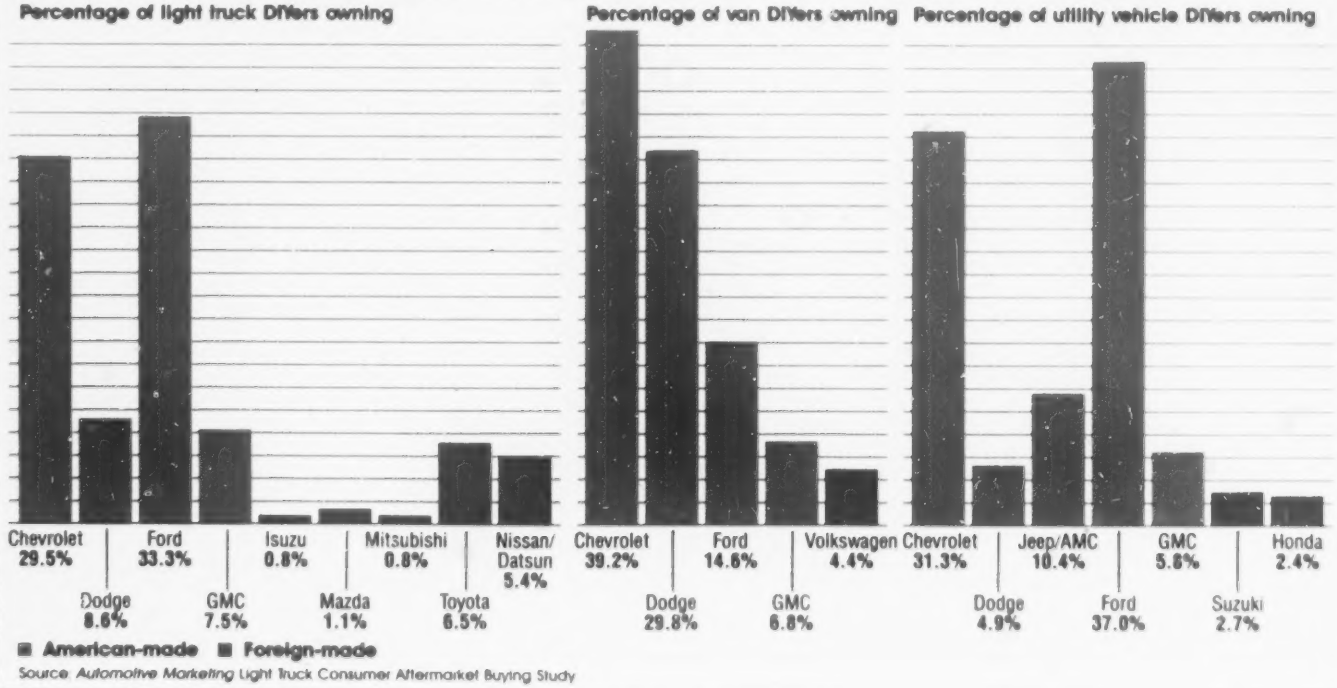
Now, *Automotive Marketing* has commissioned Chilton Research Services to survey light truck, van, or utility vehicle owners. We spoke to owners responsible for maintaining that type of vehicle, and who did some sort of DIY work on it. For the past six years, Chilton Research Services has conducted *Automotive Marketing's* annual *Consumer Automotive Repair Study (CARS)*, which covers all automotive DIYers.

To qualify as a respondent in our truck study, each light truck, van, or utility vehicle maintainer had to have done some vehicle maintenance job himself within a year of the researcher's phone call. This could have been as little as waxing or polishing the vehicle – those waxers and polishers buy lots of automotive products even if they don't change their own engine blocks. Or it could have been as involved as replacing a transmission or changing a CV-joint and front spring.

Of the DIYers with whom we spoke for this study, 78.1% owned a light truck; 23.4% owned a van; and 12.4% owned a utility vehicle. As well, 89.3% owned a car. Due to multiple vehicle ownership, one person could, for example, own a car, a van, and a light truck and would be counted in each group. Hence, the total is considerably more than 100%.

THE LIGHT TRUCKS DIYERS DRIVE

American-made light trucks are the most popular makes among owners who work on trucks. The same goes for vans and utility vehicles.



Source: *Automotive Marketing* Light Truck Consumer Aftermarket Buying Study

By the way, 9% of all those with whom we spoke owned only one vehicle. Out of the group as a whole, 7.2% of all those surveyed had a light truck as their only vehicle; 1.5% had a van as their only vehicle; and 0.3% had a utility vehicle as their only vehicle.

What We Found About DIYers

We asked the people who owned and maintained a light truck, van, or utility vehicle about their demographics, and then about their buying and installation habits in terms of light truck products. Looking at the general demographics of light truck, van, or utility vehicle DIYers, we found the following:

- Most of them, 85.9%, are male. The female light truck DIYers with whom we spoke were significantly younger than the males, made considerably less money than the males, and spent much less time on automotive DIY than males.
- They're Baby Boomers. We found that more than half, 52.2%, were between 25- and 44-years-old. Only 11.5% were younger than 25.
- They're relatively well educated. Nearly 48.5% attended college, with almost a quarter being college graduates. Another 39% were high school graduates.
- They're stable in terms of family environments. Some 72.5% were currently married, with another 13.4% never having been married. Only 10.6% were divorced.
- Although light truck owners have traditionally been considered to be blue collar workers, the actual ownership trend has been the same as it has been in terms of national demographics. White collar workers are growing in numbers while numbers of blue collar worker decline. In all, among light truck DIYers, 36.1% were white collar workers; 32.7% were blue collar workers (the rest included housewives, students, armed forces personnel and the like).
- Light truck DIYers can afford all those special products. Almost half of them, 44.8%, have household incomes of more than $30,000 a year. Only 20.4% have household incomes of less than $20,000 a year.
- Almost half, 47.3%, of those who have

A Look At Tool Boxes

Tool boxes finished fourth, just in the middle of our list of light truck accessories purchased during the course of the year before the study was conducted.

A very large number of respondents did not buy their tool boxes at any standard outlet. Instead they bought them at flea markets or at other non-traditional outlets. At the same time, an unusually large number of tool box buyers acquired the product at a hardware store, although there were slightly more buyers who went to auto parts stores.

It's no surprise, therefore, that well over half of all tool box buyers bought where they did because of price. A significant, although smaller, group bought where they did because of product selection.

While most tool boxes were purchased for light trucks, some were acquired for vans and utility vehicles. This product is unusual among the other products in that more were bought for utility vehicles than for vans.

Virtually everyone who bought a tool box installed it in the vehicle personally, regardless of gender, age, income, or DIY habits. And, they did it mostly because it was easy, although almost a quarter did it to save money. Only a few less than that did it to be sure it was done right.

Therefore, it's no surprise that most would do it again.

A Look At Wheels

Wheels were the most purchased light truck accessory among the light truck owners we surveyed.

Almost half of the wheel buyers we talked to bought their wheels at tire stores. Automotive parts stores were the second most popular place for wheel purchases.

When asked why they bought wheels where they did, almost half those surveyed cited price as the reason. Product selection was the second most cited reason.

Most wheel buyers bought the products for a light truck. However, a significant handful bought their custom wheels for utility vehicles and vans.

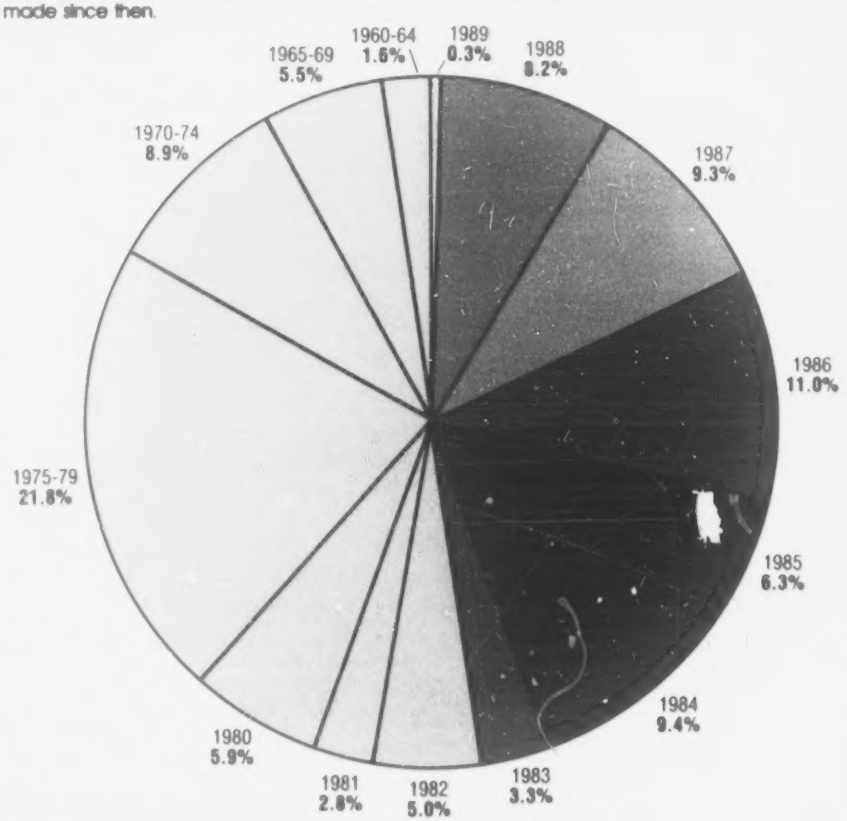
Over half those who bought wheels had them installed by someone else. Most of those wheels were installed by specialty shops. Professional alignment is obviously important for wheel sales.

A large majority of those who did put on their own wheels did so to save money.

Everyone who installed his own wheels said he'd be "very likely" to do that job again.

THE AGE OF DIYER'S LIGHT TRUCKS

Over half, 52.8%, of the light trucks that DIYers own and maintain are 1982 models or are models made since then.



Source: *Automotive Marketing* Light Truck Consumer Aftermarket Buying Study

Truck DIYers

A Look At Truck & Van Bed Liners

Light truck owners purchased enough bed liners to make them the third most purchased specific light truck, van, utility vehicle product we studied.

Younger (less than 44-years-old) bed liner buyers tended to buy the product at the same place they bought their truck. Those who bought their bed liners at auto parts stores were older, making less than $30,000 in household income annually, and spent six or more hours a month on automotive DIY.

Most bought bed liners where they did because they felt the price was right. Brand name or the quality of the product sold in the outlet was rarely mentioned as a reason to buy where they did. Those who did mention those factors tended to be older, and better heeled, than other buyers.

While most buyers bought a bed liner for a light truck, several picked up the products for vans, while several others bought for utility vehicles.

Bed liners, most purchasers agreed, were easy enough to install to do the job themselves. Most of them gave that, in fact, as the reason they installed their own bed liners. And, they said they'd do it again.

Dealers and specialty shops shared honors as where non-DIYers had their bed liners installed. Everyone who had a bed liner professionally installed made at least $30,000 annually in total household income.

light trucks, vans, or utility vehicles maintain two vehicles (the other vehicle is usually a car). Almost a quarter, 23.6%, maintain three vehicles.

Hence, the overall picture of light truck owners is a relatively well educated and well paid group who don't drive light trucks for necessity but for fun. This makes them prime prospects to buy light truck products as part of their lifestyles and hobbies. They aren't buyers of things they must have to maintain their vehicles; they're buyers of things that match their lifestyles – and those are easiest type of buyers to sell expensive products to.

Where They Live

We matched the light truck DIYers we surveyed to the *Automotive Marketing* regional market areas. These are areas we have designated to reflect the realities of regional history, geography, economy, media practices, weather, and religious practices. The results confirm that light trucks are very popular in the warmer and more rural areas (percentages listed with each area are the percentage of total light truck DIYers who live in that area).

- Desert West (the empty area including Montana and Utah) – 6.5%
- Spanish West (Southern California, Arizona, New Mexico) – 15.4%
- Greenbelt West (Pacific Northwest) – 5.4%
- Grainbelt Central (the Midwest states such as Minnesota and Iowa) – 11.6%
- Smokestack Central (Industrialized states including Indiana and Southern Michigan) – 14.5%
- Old South (The former Confederacy) – 29.5%
- Carribean South (Miami area) – 1%
- Smokestack East (Pennsylvania, New York) – 7.5%
- Megapolis North (New York to Washington corridor) – 5.6%
- Greenbelt East (New England) – 2.8%

From this, it's easy to see that if you're retailing in that area that was the old Confederacy of Civil War days, you should be stocking and selling light truck parts.

What They Think About Automotive DIY

Almost half, 46.2%, of those DIYers with light trucks we surveyed told us they could do "some" automotive DIY jobs. Another 31.5% said they could do "most" jobs, while an all-male 13.6% said they could do "any" job.

Light truck DIYers aged between 25 and 34 were the most confident in their DIY skills, while, surprisingly, those over 45 were least confident.

The majority of those light truck owners who are also DIYers enjoy doing the automotive work they do. In all, 68.2% like automotive DIY either "somewhat" (41.7%) or "a lot" (26.5%). Only 13.4% don't enjoy it "at all."

There's a real difference between men and women in terms of automotive DIY enjoyment, too. Of men, 29% enjoy DIY "a lot," while only 11% of women do. On

A Look At Auxiliary Lighting

The second most commonly purchased light truck accessory items, in the year preceding our study, were auxiliary lights.

By far and away, most purchasers of auxiliary lighting products bought them at auto parts stores. Discount stores were a distant second. Those who did buy the product at discount stores made more than $30,000 in household income annually.

Why did they buy in auto parts stores? Mostly because they liked the price. But, a number mentioned that auto parts stores had a better selection of auxiliary lighting products than elsewhere.

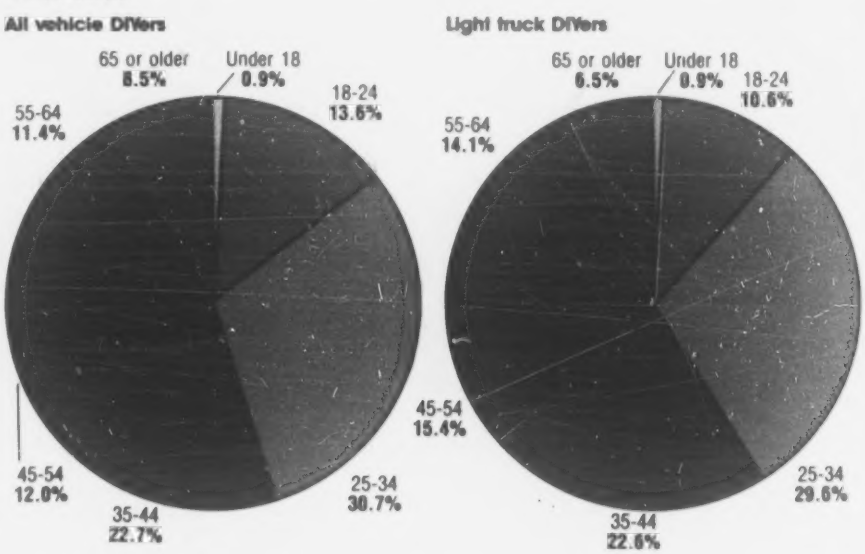
Slightly over half those responding bought auxiliary lighting products for a truck. But significant numbers also bought the products for vans and utility vehicles.

By far, most people who bought auxiliary lighting products installed what they bought themselves, while a handful left the job for a friend or relative.

They did the installation job to save money, most of them said. But, a good number said that the job was so easy that they did it themselves. And, most of them would do it again.

THE AGE OF DIYERS

A larger percentage of light truck DIYers fall into the 45-years-old and older categories than do all vehicle DIYers.



Source: 1989 *Automotive Marketing* CARS and Light Truck Consumer Aftermarket Buying Study

Truck DIYers

A Look At Pass-through Windows

Pass-through windows were the seventh most purchased-over-the-past year light truck product we studied.

While the product is generally regarded as specifically a light truck item, one person with whom we spoke bought his window for a van.

Most of those who had bought pass-through windows installed them themselves. One product purchaser had it installed at the new car dealer, while another went to the service bay of an auto parts store. Both these men were relatively young (under 44), but they also had relatively higher household incomes (over $40,000 annually) than other pass-through window purchasers.

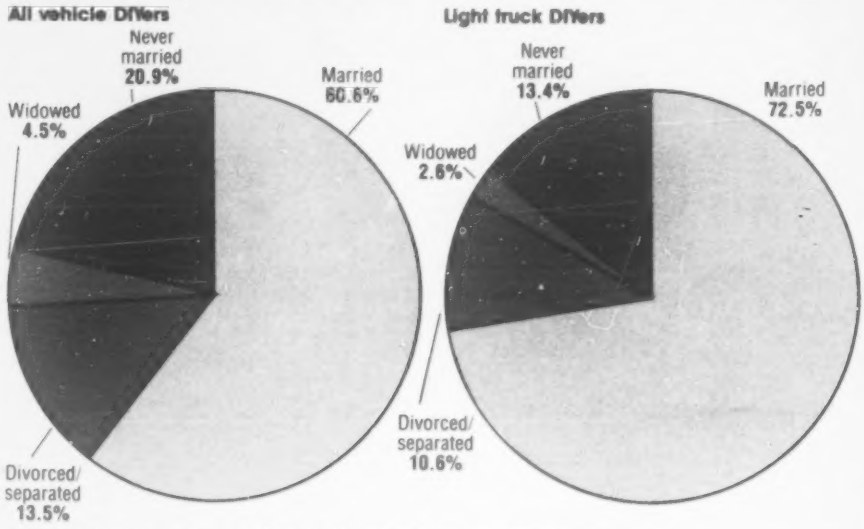
About half of those who installed pass-through windows themselves did so to save money. However, almost the same number just enjoyed it, saying they found the DIY job "easy to do." Generally, the older, better-off installers did it for the enjoyment of it. Most of them, however, were not what we'd call "serious" DIYers – DIYers who do automotive DIY activity six or more hours a month.

Despite this fact, just about all of those who had installed their own pass-through windows said they'd do the job again if given the need.

Younger pass-through window installers tended to buy the product at discount stores, while older DIYers went to auto parts or truck parts stores. When asked why they bought the product where they did, most said it was because of the price. A significant number, however, went where they did because of product selection.

THE MARITAL STATUS OF DIYERS

A larger percentage of light truck DIYers fall into the married category than do all vehicle DIYers.



Source: 1989 *Automotive Marketing* CARS and Light Truck Consumer Aftermarket Buying Study

the other hand, 26.4% of women don't enjoy it "at all," while 11.3% of men feel that way.

Almost half, 42.6%, of light truck DIYers report they're doing the same amount of automotive DIY now as they did five years ago. Even more, 56.6%, expect to continue doing the same level of DIY work in the future as they are now. However, a significant 34% say the automotive DIY work they do has increased over that period, while only 23.3% say it's decreased.

Interestingly, these figures are virtually the same as for all vehicle DIYers, according to the 1989 *CARS*. In other words, there's little or no difference between those we spoke with who only maintained light trucks, vans, or utility vehicles, and those who maintained all types of vehicles, including cars.

The big reason for the decrease, among those who are doing less, is that they have less time now than they did then (so said 37.7%). Another 30.4% said their light trucks have gotten too complicated for them to work on.

It's almost a tie among those who are doing more DIY work now because they have fun doing it, 29.4%, and those who have to do it because they've got less money to spend on professional repairs, 29.3%. Another 24% said they're doing more now because they've got more vehicles to maintain.

What They Buy First

Other studies have shown that light truck owners aren't content with basic models. They buy lots of light truck parts to add on their vehicles.

More than half those with whom we spoke purchased at least one light truck product during the course of the year before the study was made. Admittedly, 43% said that they didn't purchase any product specifically designed for light truck use for their vehicle during the past year.

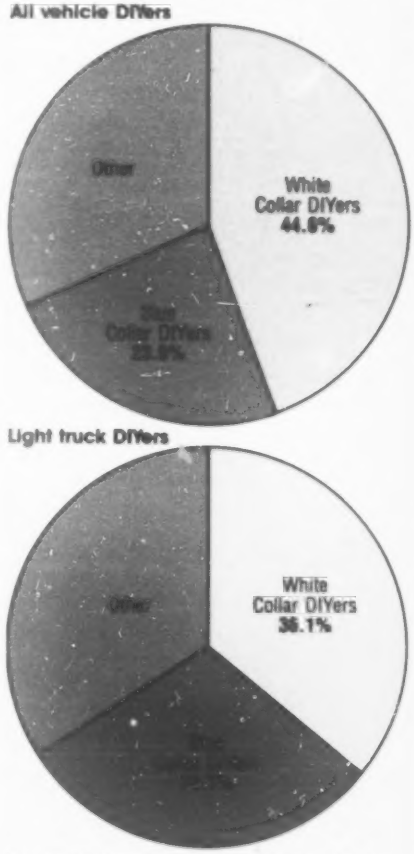
Of those who made no light truck product purchases, 81.3% were male; 29.4% were between 25- and 34-years-old; 29.5% made $20,000 to $30,000 annually; and 63% spent one to five hours on automotive DIY monthly. In other words, they were prime aftermarket retail targets who were *not* buying light truck products even though they owned and maintained light trucks.

Indeed, a significant 23.7% of all those we surveyed said they bought one or two light truck products during the prior year. Another 8.6% bought three or four light truck products; 8.4% bought five or six; and 15.2% bought seven or more products during the previous year.

This buying starts right after the truck is acquired, at least in most cases (63.9%

DIYER EMPLOYMENT

There are more blue collar light truck DIYers than blue collar all vehicle DIYers.



Source: 1989 *Automotive Marketing* CARS and Light Truck Consumer Aftermarket Buying Study

Truck DIYers

of those we surveyed said they bought something immediately after buying a light truck). We asked them what was that first item. The products they mentioned, from most to least purchased, were:

1. Radio/stereo (5.4%)
2. Bed liners (5.3%)
4. Auxiliary lights (3.9%)
5. Camper shells/tops (3.9%)
6. Tool boxes (3.8%)
7. Running boards (3.1%)
8. Wheels (2.4%)
9. Seat covers (2.2%)
10. Floor mats (2.1%)
11. Exterior accessories (1.5%)
12. Pass-through windows (1.0%)
13. Winches (0.3%)

As we guessed from the demographics of light truck DIYers, they can afford more expensive lifestyle items. This indicates our guess is true, since the products they first bought, such as stereos, tended to be expensive items.

What They'll Buy Next

Most of the light truck owners with whom we spoke weren't planning to buy any new light truck products in the near future. However, a significant 37.9% said they had a new purchase in mind for the near future. When we asked what that product was, they said:

1. Running boards (3.4%)
2. Wheels (2.5%)
3. Auxiliary lights (2.3%)
4. Radio/stereo (2.1%)
5. Bed liners (2.1%)
6. Exterior accessories (1.5%)
7. Tool boxes (1.0%)
8. Winches (1.0%)
9. Floor mats (0.9%)
10. Seat covers (0.7%)
11. Pass-through windows (0.3%)

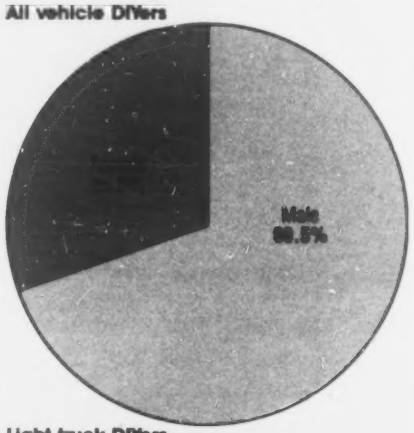
Obviously, in looking at the above list, money isn't the prime concern when it comes to buying plans. If these owners desire a product, they buy it. Hence, it's easy to sell more expensive products in a light truck market, but it takes real selling skills to get that desire into the customer's head.

On the whole, except in terms of gender, the light truck market is surprisingly diverse. It is, however, *not* the "guaranteed great sales" market some industry observers make it appear to be. A retailer cannot simply stock light truck parts and then retire to start counting the money. Selling into the light truck market requires the same merchandising skills as selling into the DIY market as a whole. Knowing the real customer is the first step in acquiring those merchandising skills.■

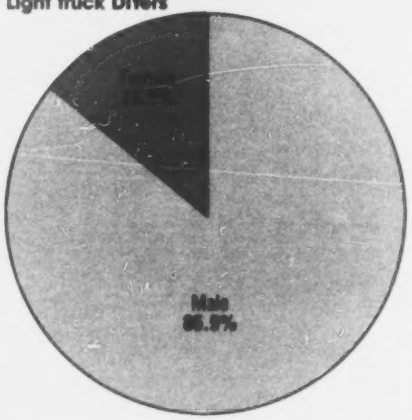
DIYER GENDER

Fewer females own and maintain light trucks.

All vehicle DIYers



Light truck DIYers

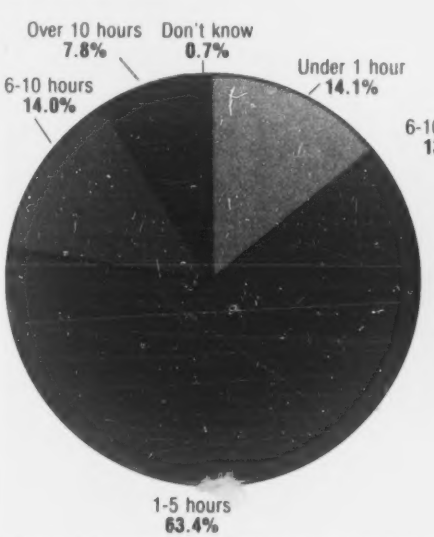


Source: 1989 *Automotive Marketing* CARS and Light Truck Consumer Aftermarket Buying Study

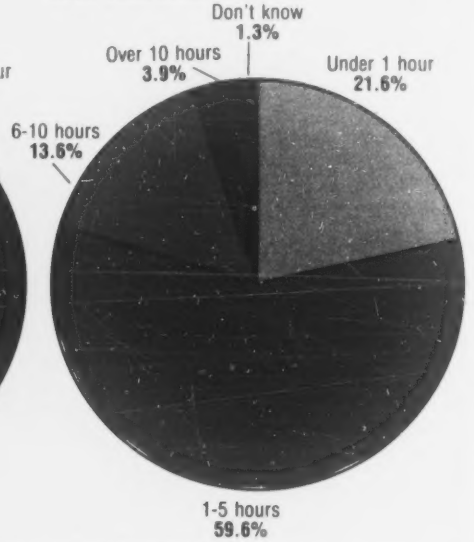
TIME SPENT ON DIY

We asked both all vehicle DIYers and just light truck DIYers how much time they spent during the average month on vehicle DIY work. Light truck DIYers, on average, tend to spend less time on this type of work than did all vehicle DIYers.

All vehicle DIYers



Light truck DIYers



Source: 1989 *Automotive Marketing* CARS and Light Truck Consumer Aftermarket Buying Study

A Look At

Running Boards

Running boards were the item light truck owners mentioned fifth as being specific light truck products that they purchased during the past year.

Nobody we talked to in our research who was under 25-years-old purchased running boards during the previous year.

Older running board purchasers – those more than 35-years-old – bought the product in auto parts stores.

Most of those who bought running boards said they bought where they did because of the offered price.

A significant number of running board purchasers bought the product for a van instead of a light truck.

Just over half of all running board purchasers installed the product themselves. A good number of the purchasers had a friend or relative do the job. Only a handful had the light truck or van dealer or a specialty shop install the running boards.

Only a couple of running board DIYers did the job themselves to save money. Interestingly, those people were in the 45-50 age bracket, had three or more vehicles, and had household incomes of over $40,000 annually.

Most running board installers said they did the job themselves to be sure the job was done right, or because they enjoyed doing it, or because it was a simple task. And, indeed, most of them would do it again. Those who wouldn't, tended to be older (over 45-years-old) DIYers who spent less than five hours monthly on DIY tasks.